

Docket No. 01-035-01
Laura Nelson
Exhibit No. 11.0
June 15, 2001

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE)	DOCKET NO. 01-035-01
APPLICATION OF PACIFICORP)	
FOR APPROVAL OF ITS PROPOSED)	
ELECTRIC RATE SCHEDULES AND)	
ELECTRIC SERVICE REGULATIONS)	

DIRECT TESTIMONY OF

DR. LAURA NELSON

FOR THE

DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

June 15, 2001

1 **Q. Please state your name, business address, and present position with the**
2 **Division of Public Utilities.**

3 A. My name is Laura Nelson and my business address is the Heber Wells Building,
4 160 East 300 South, Salt Lake City, Utah. My position with the Division is as a
5 Rate Analyst.

6

7 **Q. Could you please explain your education and regulatory experience?**

8 A. I received a Bachelor of Science Degree in Economics from the University of
9 Utah in 1989 and completed work for my Ph.D. in 1997 at the University of Utah.
10 Over the past three and a half years I have worked for the Committee of
11 Consumer Services as a Utility Economist and recently transferred to the Division
12 to serve in my current position. I have also served as a Visiting Assistant
13 Professor at the University of Utah. While at the Committee, I directed the
14 Committee's efforts on the Utah Power and Light depreciation case (Docket 98-
15 2035-03). I also directed attention at analyzing PacifiCorp's Integrated Resource
16 Plan (RAMPP), served on the Renewables Task Force developed as a result of
17 issues in Docket 97-035-01, worked on the Energy Efficiency Task Force (Docket
18 99-035-10), and worked on Special Contract issues. I testified in the last rate case
19 (Docket No. 99-035-10) on the issue of minimum bills and also on the Company's
20 line extension policy. Recently, I testified in this Docket on the issue of interim
21 relief. While at the Division, I have continued to work on Special Contract issues
22 and also worked on analyzing a number of load curtailment programs proposed by
23 the Company in recent weeks.

1 **Q. What is the purpose of your testimony in this filing?**

2 A. I will present the Division of Public Utilities' (DPU's or Division's) Class Cost-
3 of-Service (COS) Study, describe changes we made to the functionalization of
4 costs, and comment on customer charge.

5

6 **DPU's Class Cost-of-Service Study**

7

8 **Q. Did the Division develop a class cost-of-service for the docket?**

9 A. The Division used Dr. Jim Logan's (Commission staff) COS model (based on the
10 Company provided COS model) to allocate the Division's Utah jurisdictional
11 revenue requirement among classes. However, the total revenue requirement
12 allocated in the COS model differs from the revenue change recommended by the
13 Division based on its revenue requirement analysis.

14

15 **Q. Could you please explain this discrepancy?**

16 A. On revenue requirement, the Division is recommending a \$5.8 million increase¹.
17 The COS model develops a change from current revenues totaling \$5.77 million.
18 The discrepancy arises because the Division has followed the Company's
19 methodology in moving from revenue adjustments to class allocation of the
20 revenue requirement change. In particular, in our revenue requirement analysis
21 we followed the Company's assumption regarding the allowance for

¹ The Division testimony filed on June 4, 2001 recommended approximately a \$2.3 million revenue increase. We have subsequently made corrections to our adjustment summary. As a result, our recommendation for a revenue change is now approximately \$5.8 million.

1 uncollectables and the associated adjustment for the gross tax receipts rate. It
2 appears that this assumption is not incorporated into PacifiCorp's COS model.
3 Thus, I have attempted to mimic to the best of my understanding at this time the
4 Company's methodology. It appears that the approximately \$30 thousand
5 difference results from the adjustment inconsistency between the two models.
6 Adjustments may be required as my understanding and familiarity with the model
7 develops.

8

9 **Q. Did you make any adjustments to the model?**

10 A. Yes. I adjusted the system demand and energy loss factors.

11

12 **Q. Please explain this adjustment.**

13 A. The Company's filing applies its system loss factors developed in 1991. The
14 Company has not yet adequately explained the development of these factors.
15 Thus, consistent with our position in Docket 97-035-01 and 99-035-10, the
16 Division's COS study applies loss factors developed using Public Service
17 Commission (PSC) approved methods from 1986. The Company has indicated
18 that it is working to develop updated demand and energy system loss factors. To
19 date, the Division has not been able to review the factors and continues to
20 advocate the use of the 1986-based factors.

21

22 **Q. Did you make any other changes to the model?**

1 A. Yes. I incorporated into our COS model changes to the functionalization of costs.

2 **Q. Could you please describe these changes?**

3 A. Yes. Based on the recommendations of the Allocations Task Force resulting from
4 Docket 97-035-01, the Company filed a functionalized study that uses five
5 functional categories. Currently, we accept the five-category functionalization
6 method. However, consistent with Division positions in past rate case dockets
7 (97-035-01 and 99-035-10) we disagree with the Company's allocation of the
8 costs for certain accounts. Our objection is based on the fact that the method used
9 to allocate costs on a jurisdictional basis is inconsistent with the method the
10 Company uses to allocate these costs on an interjurisdictional (IJA) basis. I
11 adjusted the allocation factors for these accounts, as well as for the Deferred
12 Income Tax (DIT) accounts, to be consistent with IJA methodology.

13
14 **Q. What specific changes did you make?**

15 A. For accounts 926 (Employee Pensions and benefits), 929 (Duplicate Charges),
16 and 930 (Miscellaneous Expense) the Company allocated system overhead on a
17 labor versus plant basis. I changed the allocator for the category of system
18 overhead from a labor to a plant allocator to match the allocation method used by
19 the Company for interjurisdictional allocation. I made synonymous adjustments
20 on the expense side for the deferred income tax accounts. With regard to rate
21 base, I made similar adjustments. Specifically, I adjusted the accumulated
22 deferred income tax accounts (190, 282, and 283). On account 190 I changed
23 system overhead and system net plant subcategories from a labor allocator to a

1 plant allocator. In accounts 282 and 283, I allocated the system overhead
2 category on a plant basis rather than on labor. Exhibit 11.2.a reflects the results of
3 my adjustments to functionalized costs. Exhibit 11.2.b reflects the functional
4 allocation of the Division's recommended revenue change absent these
5 adjustments. In general, the impact is that under "Total Expenses" (Line 26
6 Exhibit 11.2.a) production and customer costs increase compared to the
7 Company's allocation method (Line 26 Exhibit 11.2.b), while transmission and
8 distribution poles and wires costs decrease. For rate base, the opposite occurs
9 (Line 48 Exhibit 11.2.a compared to line 48 Exhibit 11.2.b).
10 Once these adjustments were made to functionalized costs, I incorporated them
11 into our COS model so that class allocations would be consistent with the
12 jurisdictional and functional allocations of costs. Our COS study is included as
13 DPU Exhibit 11.3.

14
15 **Q. Did the Division use these results in developing its rate-spread proposal?**

16 A. Yes, Division Witness Rebecca Wilson tempered the Division's rate-spread
17 recommendation utilizing the results of our COS analysis. A summary of the
18 Division COS study results is provided in DPU Exhibit 11.1.

19
20 **Customer Charge Calculation**

21
22 **Q. Has the Division developed a customer charge calculation in this Docket?**

1 A. We did not have the complete data that we would normally use to calculate the
2 customer charge. Thus, we are not making a recommendation regarding most
3 customer charges at this time. Pending responses to a Data Request submitted by
4 the Division to the Company on June 12, 2001, we may provide a customer
5 charge calculation at a later date.

6

7 **Q. Is there any schedule for which you do have a specific customer charger**
8 **recommendation?**

9 A. Yes. We are recommending that the Company reduce the customer charge for
10 several optional Time of Day schedules. Division Witness Wilson will further
11 discuss this recommendation.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes.